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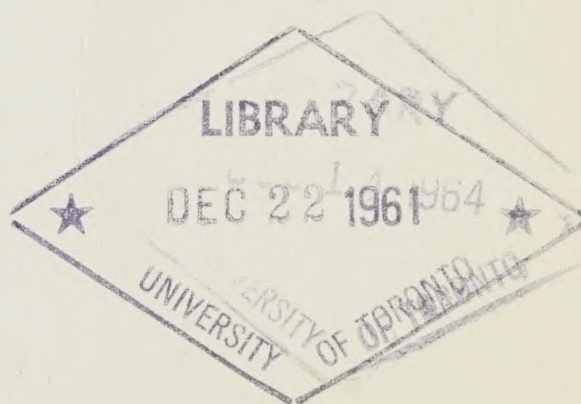


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# Sickness and Accident Provisions in Canadian Industries

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REPORT No. 3  
1961



*Canada*

ECONOMICS AND RESEARCH BRANCH  
DEPARTMENT OF LABOUR  
OTTAWA

**Labour Management Research Series**

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*No. 2 – Shift work and Shift Differentials in Canadian Manufacturing Industries.*

*No. 3 – Sickness and Accident Provisions in Canadian Industries.*

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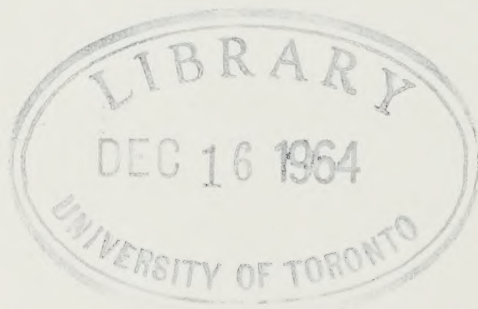
**SICKNESS AND ACCIDENT PROVISIONS  
IN CANADIAN INDUSTRIES**

Economics and Research Branch  
Department of Labour, Ottawa  
August, 1961

Hon. Michael Starr  
Minister

George V. Haythorne  
Deputy Minister





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## FOREWORD

This report presents the findings of a survey carried out in the summer of 1960 by the Economics and Research Branch of the Department of Labour to obtain information on the characteristics of sickness and accident provisions in Canadian industry. The survey was conducted following a request by a federal government department for information on certain aspects of sick leave practices outside the federal service. In view of the importance of this type of income security provision in labour-management relations, it was decided to publish the results in monograph form.

The Labour-Management Research Series, of which this is Report No. 3, is under the direction of Dr. R. M. Adams, Chief of the Labour-Management Division of the Economics and Research Branch. The survey of sickness absence provisions and this report on its results were planned and carried out in the Working Conditions Research and Development Section of the Division under the supervision of Mr. F. J. McKendy; the text was written by Mr. R. B. Heatley. The valuable assistance of Mrs. Violet Gorman of the Working Conditions Survey Section in the editing and tabulation of survey schedules is also acknowledged.


W. R. Dymond,  
Director,  
Economics and Research Branch





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## INTRODUCTION

For most workers, the assurance that some measure of income will be available during absences caused by sickness or accident is an important feature of employment. Few people, over the course of their working lives, escape without some interlude of illness. In spite of advances in medical research and the widespread application of the techniques of preventive medicine, serious illnesses do strike; and accidents happen in spite of our best efforts in the interests of safety.

Illness, especially if it is prolonged, generally involves financial problems for the worker. There are the direct expenses related to medical care, medication and hospitalization. Moreover, when the illness entails absence from work the income needed to defray these expenses and yet continue to meet the normal expenses of every day living ceases to be available.

To some extent the heavy burdens of hospitalization and doctors' services are now mitigated by public and private medical care and hospitalization plans. The provision and financing of many of these plans constitute, in fact, an important subject-matter area in labour-management relations. (1) However, it is with the problem of maintaining the income of employees during absences from work due to sickness that this study is concerned.

In Canadian industry income protection for employees is provided principally through two types of arrangement - Sickness and Accident Benefit Plans (2) and Paid Sick Leave Plans. Under Sickness and Accident Benefit Plans payments are made, usually through insurance arrangements, to compensate employees for loss of wages; generally, this is the more common type of income protection plan for wage earners or hourly paid employees. Under Paid Sick Leave Plans wages are continued in varying degrees and within specified limits, during absences due to illness; expenditures under these plans are charged directly as payroll costs.

Maintenance of income, during absences due to industrial accidents and illnesses associated with workers' employment, is provided under Workmen's Compensation Laws; each of the provinces has its Workmen's Compensation Legislation. (3) However, no such legislation exists for the protection of workers whose disabilities arise from causes not connected with their employment. Plans dealing with eventualities of this kind have originated and developed in the context of direct negotiations between labour and management.

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(1) See Group Hospitalization and Medical Insurance Plans in Canadian Manufacturing Industries, Economics and Research Branch, Department of Labour. (Ottawa: Queen's Printer, 1958)

(2) Known also as "Wage Loss Insurance", "Weekly Indemnity", or "Cash Compensation Plans".

(3) See Workmen's Compensation in Canada, Legislation Branch, Department of Labour. (Ottawa: Queen's Printer, 1960)





## PURPOSE AND SCOPE OF STUDY

This study presents the findings of a survey carried out in August 1960 to provide information on the essential characteristics of plans for sickness absence coverage of non-office employees in Canadian industries. Provisions relating to employees' eligibility for benefit coverage, the basis on which benefits (or credits) are determined, the amount of benefit (or credit), the requirements for benefit payment and the maximum periods of benefit or limits to credit accumulation comprise the main features surveyed. In the case of Sickness and Accident Benefit Plans, provisions dealing with administration and financing were also examined.

To obtain the information on which this study is based it was necessary to select a sample of establishments that had plans in effect. Several criteria were applied to determine the selection of establishments for inclusion in the survey. First, the enquiry was restricted to four main industrial groups: Manufacturing; Public Utilities; Transportation, Storage and Communication; and Service. Establishments in these four groups that had replied in the affirmative to an "incidence" question in the Survey of Working Conditions in May 1960 and whose replies had been received within six weeks of the survey date were isolated. From these establishments a further selection was made of those which reported having plans of either type covering non-office employees. Those reporting a combination of the two types of plan were eliminated from the sample. The remaining establishments were separated into two groups; those having only Sickness and Accident Benefit Plans and those with only Sick Leave Plans. Finally, in order to arrive at a net sample of manageable size, establishments reporting less than 100 non-office employees were eliminated.

Separate schedules were drawn up for each type of plan and the survey was mailed early in August 1960. The number of schedules sent, received and tabulated, is shown below.

	Sickness and Accident Benefit Plans	Paid Sick Leave Plans
Number of schedules sent.....	884	215
Number of schedules received....	853	204
Number of schedules used in tabulation.....	827	172

The rate of response was high - over 90 per cent. However, in editing the survey forms it was found that some of the plans fell outside the concepts of the study; these cases account for most of the discrepancy between schedules received and those tabulated. A few schedules had to be discarded because of incomplete replies.

Because of the predominance of Manufacturing establishments in the sample, particularly in the case of Sickness and Accident Benefit Plans, this industry sector is shown separately in the tabulations that follow. Establishments in Public Utilities, Transportation, Storage and Communication, and the Service industry groups comprise the non-manufacturing sector examined in the study.

The coverage of the survey is presented in Table 1 (see below). The number of establishments used in this analysis is shown as a proportion of the number of establishments that reported plans to the 1960 Working Conditions Survey. It should be borne in mind when examining this table that the principal purpose of the sample survey was to determine the key features of the two types of plans as found in certain industries and no attempt was made, in selecting the sample, to obtain any specific level of coverage. Further, certain criteria were applied in the selection of establishments for this study that did not apply in the case of the Survey of Working Conditions.

While these factors limit the extent to which the findings of this survey can be ascribed to the larger universe of establishments, it is of interest, nevertheless, to observe the relationship of the two surveys in terms of numbers of establishments and non-office employees.

It was found that the sample survey covered about one quarter of the manufacturing establishments which reported a Sickness and Accident Benefit Plan. These establishments, nevertheless, employed over 60 per cent of the non-office employees in manufacturing.(1) In the non-manufacturing sector, coverage was less extensive, as only 6 per cent of the establishments with such plans were surveyed. However, with Paid Sick Leave Plans the proportion of establishments in the non-manufacturing group (12 per cent), was greater than the proportion with such plans covered in the manufacturing group (9 per cent). Similarly, over half the workers in these non-manufacturing groups were covered as compared with 28 per cent in manufacturing.

Table 1. Plans Covered in the Sample Survey Compared with those Reported in the Survey of Working Conditions, 1960

	Establishments		Non-Office Employees	
	Survey of Working Conditions	Sample Survey	Survey of Working Conditions	Sample Survey
Sickness and Accident Benefit Plans				
Manufacturing.....	3,267	790 (24)	474,542	289,248 (61)
Non-manufacturing....	648	37 ( 6)	149,792	13,603 ( 9)
Paid Sick Leave Plans				
Manufacturing.....	823	75 ( 9)	101,731	28,676 (28)
Non-manufacturing....	781	97 (12)	131,121	69,537 (53)

Bracketed figures represent the percentage coverage of the sample in relation to the Survey of Working Conditions.

- (1) The annual Survey of Working Conditions covers all establishments having 15 or more employees and some smaller establishments which are units of multiple-unit firms. In all, about 20,000 establishments are surveyed.

## SICKNESS AND ACCIDENT BENEFIT PLANS

A Sickness and Accident Benefit Plan is a scheme for the compensation of employees for loss of wages during absences from work due to non-occupational illnesses or accidents. This cash compensation or 'benefit' is normally less than the regular wage. In an individual plant or establishment a plan may be an independent feature of the labour-management relationship or it may be part of a comprehensive set of 'industrial relations plans' embracing life insurance, surgical and medical benefits, as well as sickness and accident benefits. It may be administered by an insurance company or by the firm itself, perhaps in the form of a mutual benefit society. It may be financed in one of several ways.

Nearly all of the plans studied were underwritten by insurance companies. As Table 2 (see below) shows, 770 of the 827 reporting establishments, employing 90 per cent of the workers covered by the sample survey, use the services of insurance companies to underwrite their Sickness and Accident Benefit Plans. About 7 per cent of the establishments, accounting for just over 10 per cent of the employees, reported other arrangements.

Table 2. Underwriting of Sickness and Accident Benefit Plans

	Manufacturing		Non-Manufacturing		Total	
	Estab-lish-ments	Total Employ-ees	Estab-lish-ments	Total Employ-ees	Estab-lish-ments	Total Employ-ees
Plan underwritten by insurance company . . . . .	739	264, 710	31	7, 662	770	272, 372
Plan not underwritten by insurance company ..	48	22, 985	6	5, 941	54	28, 926
Not stated. . . . .	3	1, 553	-	-	3	1, 553
Total . . . . .	790	289, 248	37	13, 603	827	302, 851

By and large, the cost of these insurance plans was financed jointly by the employers and the employees. Over three-quarters of the establishments in the sample survey reported a premium-sharing arrangement; these establishments accounted for 76 per cent of total employment in the industries studied (Table 3 see page 6). In all but eight of the remaining establishments, the premium was paid by the employer; in five Manufacturing establishments, the employee was reported as paying the full premium cost.

Most of the principal features of the benefit plans in non-manufacturing are similar to those found in plans in the manufacturing group. As manufacturing is by far the larger of the two industrial groups surveyed the detailed analysis that follows is mainly concerned with the provisions of benefit plans in this industry sector.



Table 3. Methods of Financing Sickness and Accident Benefit Plans

	Manufacturing		Non-Manufacturing		Total	
	Estab- lish- ments	Total Employ- ees	Estab- lish- ments	Total Employ- ees	Estab- lish- ments	Total Employ- ees
Premium shared by employer and employee . . . . .	560	200, 842	28	6, 736	588	207, 578
Premium paid by employer . . . .	171	62, 341	3	926	174	63, 267
Premium paid by employee . . . .	5	766	-	-	5	766
Not stated . . . . .	3	761	-	-	3	761
Total . . . . .	739	264, 710	31	7, 662	770	272, 372

## THE MANUFACTURING INDUSTRIES

### Benefit Plan Coverage

The Manufacturing sector of industry accounted for 790 of the 827 establishments in the sample with benefit plans. Of these establishments 41 per cent were concentrated in three industries: Iron and Steel, Transportation Equipment, and Food and Beverages. Taken together, these three industries employed nearly one-half (47%) of the workers surveyed in Manufacturing.

As shown in Table 4 (see page 7), benefit plans provide income protection to approximately nine out of every ten employees in the manufacturing establishments studied. In most of the individual manufacturing industries surveyed, the proportion of total employees covered by the plan was over 90 per cent. Because the proportion of employees covered in establishments having plans was found to be so high, subsequent presentation in this report is in terms of the total number of employees in establishments having plans and no attempt is made, in examining the features of the plans, to distinguish those employees actually covered by the plans.

The industrial composition of manufacturing establishments with benefit plans and the employees covered is shown in Table 4.

### Eligibility Requirements for Employee Coverage

Coverage under sickness and accident plans is normally available to newly hired employees after a minimum period of service. Of the 790 plans reported, 763 required a minimum period of employment to establish eligibility for benefits. Ninety-five per cent of the employees surveyed were in establishments with plans having minimum service provisions.

The most common period of service required by new employees before becoming eligible for coverage was three months. As Table 6 indicates, approximately three-quarters of the plans in manufacturing required three

Table 4. Manufacturing Establishments with Sickness and Accident Benefit Plans, Total Employment and Employees Covered, by Industry

Industry	Establishments		Total Employment		Employees Covered by Plan	% Total Employees Covered by Plan
	No.	%	No.	%	No.	%
Manufacturing total....	790	100	289,248	100	266,837	92
Food and beverages..	113	14	35,032	12	30,243	86
Tobacco and tobacco products.....	1	-	1,570	-	1,400	89
Rubber products. ....	13	2	6,757	2	6,300	93
Leather products....	24	3	4,520	2	3,836	85
Textiles.....	51	6	13,900	5	12,607	91
Clothing.....	49	6	10,418	4	8,571	82
Wood products.....	64	8	12,999	5	11,471	88
Paper products. ....	61	8	23,530	8	21,214	90
Printing, publishing .	30	4	7,305	2	6,272	86
Iron and steel.....	144	18	47,283	16	44,657	94
Transportation equipment.....	70	9	54,200	19	52,662	97
Non-ferrous metal products.....	31	4	25,560	9	23,734	93
Electrical apparatus.	63	8	21,261	7	20,465	96
Non-metallic minerals.	38	5	8,867	3	7,938	90
Products of petroleum and coal	2	-	5,300	2	5,280	99
Chemical products ...	22	3	8,369	3	7,971	95
Miscellaneous manufacturing.....	14	2	2,377	1	2,216	93

Table 5. Eligibility Requirements for New Employees Under Sickness and Accident Benefit Plans (Manufacturing)

	Establishments		Employees	
	No.	%	No.	%
Immediately on employment.....	26	3	13,170	5
After a minimum period of service.	763	97	275,847	95
Not stated.....	1	-	231	-
Total .....	790	100	289,248	100

months of service. However, a number of plans, (118) required new employees to wait six months before becoming eligible for participation. A qualifying period of more than six months was stipulated in only a very few plans.

Eligibility for benefit coverage was not restricted by the age of the employee in most plans. Table 7 illustrates that 94 per cent of the plans, covering 93 per cent of the employees, imposed no age restrictions on employee eligibility for benefit coverage. Of the 40 plans (see Table 8) that did stipulate an age limit, however, employees up to age 60 were admissible; 17 plans excluded candidates over 60 and all plans with an age restriction barred candidates beyond 70 years of age.

Table 6. Distribution of Sickness and Accident Benefit Plans Requiring Qualifying Period for Eligibility, by Length of Qualifying Period (Manufacturing)

	Establishments		Employees	
	No.	%	No.	%
1 Month .....	63	8	26,581	10
2 Months.....	74	10	32,762	12
3 Months.....	459	60	162,686	58
4-5 Months.....	7	1	1,639	1
6 Months.....	118	15	39,412	14
12 Months.....	10	2	5,012	2
Not stated.....	32	4	7,755	3
Total.....	763	100	275,847	100

Table 7. Age and Eligibility of New Employees Under Sickness and Accident Benefit Plans (Manufacturing)

	Establishments		Employees	
	No.	%	No.	%
Eligibility not restricted by age.	742	94	269,949	93
Eligibility restricted by age....	40	5	16,512	6
Not stated.....	8	1	2,787	1
Total.....	790	100	289,248	100



Table 8. Distribution of Sickness and Accident Benefit Plans with Age Restrictions on Eligibility, by Age Limits (Manufacturing)

Age Beyond which New Employees Ineligible	Establishments		Employees	
	No.	%	No.	%
50 years.....	3	8	4,522	27
60 years.....	20	50	7,919	48
65 years.....	11	27	2,474	15
70 years.....	6	15	1,597	10
Total.....	40	100	16,512	100

Features of Benefit Payment

The value of any Sickness or Accident Benefit Plan is determined by the kind of financial protection it provides to the worker. The nature of this financial protection is embodied in four key features of most plans: the waiting period before payment is effective; the basis of benefit payment; the amount of benefit payment; and the limits to benefit payment.

Waiting Period – The first feature which governs the extent of financial protection is the effective day of benefit payment. This depends on the length of the "waiting period", or the unpaid time following the initial absence before benefit payment comes into effect.

Benefits become payable under most plans only after some waiting period. In only 32 of the 790 manufacturing plans was provision made for benefits to be paid on the first day of absence (see Table 9).

Table 9. Effective Day of Payment Under Sickness and Accident Benefit Plans (Manufacturing)

Effective Day of Benefit Payment	Establishments		Employees	
	No.	%	No.	%
First day of absence.....	32	4	7,208	2
After a waiting period.....	758	96	282,040	98
Total.....	790	100	289,248	100

Table 10 shows that the length of the waiting period reported ranged from two to nine days. Just over one-half of the plans, covering a substantial majority of the workers, started benefit payments after seven days' absence. One plan out of four, however, was somewhat less restrictive, stipulating only three days of absence before the payment of benefits.

Table 10. Distribution of Sickness and Accident Benefit Plans Requiring  
Waiting Period, by Length of Waiting Period  
(Manufacturing)

Period	Establishments		Employees	
	No.	%	No.	%
2 days.....	6	1	4,229	2
3 days.....	192	25	74,842	26
4 days.....	44	6	12,427	4
5 days.....	9	1	2,157	1
6 days.....	10	1	2,713	1
7 days.....	402	54	164,441	58
8 days.....	84	11	19,008	7
9 days.....	1	-	120	-
Not stated.....	10	1	2,103	1
Total.....	758	100	282,040	100

It was evident from the survey findings that some degree of flexibility prevailed with respect to the waiting period under various accident and sickness conditions. Waiting period provisions, for example, sometimes distinguished between illness and accident situations. Where this was the case, the plan frequently provided for benefits to start from the "first day of accident or the eighth day of illness". Table 11 shows that two-thirds of the plans requiring a waiting period waived the waiting period in the case of a disabling accident. Also, in one out of every ten plans, immediate payment of benefits was provided upon hospitalization of the worker

Table 11. Waiver of Waiting Period Under Sickness  
and Accident Benefit Plans  
(Manufacturing)

Waiting Period Waived	Establishments		Employees	
	No.	% *	No.	% *
In case of disabling accident .....	510	67	197,879	70
In case of hospitalization.....	78	10	43,073	15

\* Plans providing for waiver of waiting period as a percentage of plans requiring a waiting period.

A medical certificate to prove the authenticity of illness was a general prerequisite for benefit payment under most plans. In nearly all plans employees had to be "under the care of a licensed physician" though not necessarily confined at home. Four per cent of the plans had no provision for medical certification.

Table 12. Medical Certificates Under Sickness  
and Accident Benefit Plans  
(Manufacturing)

	Establishments		Employees	
	No.	%	No.	%
Medical certificate required.....	754	95	276,828	96
Medical certificate not required...	30	4	11,020	4
Not stated.....	6	1	1,400	-
Total.....	790	100	289,248	100

Basis of Benefit Payment- In virtually all of the plans studied, benefits were either "fixed" (i. e. , flat amounts) or "graduated" according to the wage level of employees. Both formulae were common; 418 plans stipulated fixed benefits and 368 plans provided for graduated benefit payments. However, a larger proportion of workers were covered by plans stipulating fixed benefits.

Table 13. Basis of Benefit Payment Under Sickness  
and Accident Benefit Plans  
(Manufacturing)

	Establishments		Employees	
	No.	%	No.	%
Fixed benefits .....	418	53	166,287	58
Benefits graduated according to wage level.....	368	47	122,315	42
Benefit formula not stated.....	4	-	646	-
Total.....	790	100	289,248	100

Amount of Benefit Payment - Fixed Benefit. In the 418 plans with fixed benefits, the amounts payable to disabled workers varied widely (see Table 14). However, 62 per cent of the plans, covering three-quarters of the employees, paid flat amounts of thirty to forty dollars per week. Of these, about one-third fixed the amount at either thirty, thirty-five or forty dollars a week; those with the 40 dollar benefit covered the greatest proportion of workers.

Amount of Benefit Payment - Graduated Benefit Plans that featured benefits graduated according to the wage level of the individual employee showed little uniformity with respect to the scale of benefits provided. One quarter of the plans paid benefits of less than 50 per cent



of regular wages, a slightly larger proportion paid exactly 50 per cent of regular wages whereas almost two-fifths paid between 51 and 75 per cent of wages. Plans providing benefits equivalent to between 51 and 75 per cent of regular wages covered the greatest proportion of workers. Only two plans paid benefits in excess of 75 per cent of regular wages. In the rest of the plans the proportion of salary paid as benefit varied with the salary level or the length of service of the employee.

Table 14. Distribution of Sickness and Accident Benefit Plans with Fixed Benefits, by Amount of Fixed Benefits  
(Manufacturing)

Amount per Week	Establishments		Employees	
	No.	%	No.	%
Less than \$20.....	15	4	2,326	1
\$20.....	20	5	5,595	3
\$21-24.....	11	3	2,527	2
\$25.....	55	13	11,174	7
\$26-29.....	7	2	1,734	1
\$30.....	76	18	21,140	13
\$31-34.....	3	1	4,193	3
\$35.....	93	22	38,246	23
\$36-39.....	9	2	3,991	2
\$40.....	81	19	56,007	34
\$41-44.....	10	2	3,609	2
\$45.....	21	5	9,723	6
More than \$45.....	10	2	3,776	2
Not stated.....	7	2	2,246	1
Total.....	418	100	166,287	100

Table 15. Distribution of Sickness and Accident Benefit Plans with Graduated Benefits, by Scale of Benefit  
(Manufacturing)

Scale of Benefit	Establishments		Employees	
	No.	%	No.	%
Less than 50% of wages.....	93	25	29,610	24
50% of wages.....	106	29	29,882	24
51-75% of wages.....	140	38	52,832	44
More than 75% of wages.....	2	1	385	-
Percentage varies with service...	4	1	1,662	1
Percentage varies with salary level.....	19	5	6,126	5
Not stated.....	4	1	1,818	2
Total.....	368	100	122,315	100

Limits to Benefit Payments

Table 16 demonstrates that virtually all of the plans in manufacturing stipulated a maximum benefit period. Only 1,600 workers were covered by plans having no limit on the period of benefit payment.

Table 16. Maximum Benefit Periods Under Sickness  
and Accident Benefit Plans  
(Manufacturing)

	Establishments		Employees	
	No.	%	No.	%
Plan stipulates maximum period...	782	99	237,324	99
Plan does not stipulate maximum period.....	6	1	1,603	1
Not stated.....	2	-	321	-
Total.....	790	100	289,248	100

The length of the maximum benefit period in the majority of plans was 13 weeks (see Table 17). These plans accounted for 45 per cent of the employees surveyed. However, 46 per cent of the workers were covered by about one-third of the plans which stipulated a maximum period of 26 weeks. In the remaining plans the period ranged from less than 13 weeks to a year.

Table 17. Distribution of Sickness and Accident Benefit Plans Stipulating  
Maximum Benefit Period, by Length of Period  
(Manufacturing)

Maximum Benefit Period	Establishments		Employees	
	No.	%	No.	%
Less than 3 weeks.....	13	1	3,027	1
13 weeks.....	490	63	128,693	45
14-25 weeks.....	14	2	8,545	3
26 weeks.....	232	30	131,809	46
27-51 weeks.....	2	-	699	-
52 weeks.....	16	2	8,128	3
Not stated.....	15	2	6,423	2
Total.....	782	100	287,324	100

Though benefits were paid up to a maximum period, this maximum could be applied to each disability, each year, or to some other factor. Where the maximum referred to a period of disability, benefits were available for as many maximum periods as there were separate disabilities; that is, disabilities due to unrelated causes and/or separated by a return to work for a specified period on a full-time basis. Where the maximum period referred to a year, benefits were available for only that period within the year.

As Table 18 shows, maximum benefit periods generally applied to periods of disability. The vast majority of plans (88%) stipulated a maximum benefit period "per disability". Forty-one plans restricted the payment of benefits to a specified maximum per year. In a few plans, covering 10 per cent of the employees, the maximum benefit period was determined by other factors. One example was the provision for maximum benefit periods to apply per disability until age 65, and per year thereafter.

Table 18. Distribution of Sickness and Accident Benefit Plans Stipulating Maximum Benefit Period, by Basis for Applying Maximum Period (Manufacturing)

Maximum Benefit Period Applies	Establishments		Employees	
	No.	%	No.	%
Per disability.....	686	88	242,668	84
Per year.....	41	5	9,032	3
Other.....	27	3	27,673	10
Not stated.....	28	4	7,951	3
Total.....	782	100	287,324	100

#### THE NON-MANUFACTURING INDUSTRIES

As has been indicated, Sickness and Accident Benefit Plans have essentially similar basic features in both manufacturing and non-manufacturing industries. Briefly, Sickness and Accident Benefit Plans in the non-manufacturing industries surveyed were characterized by the following features. New employees became eligible for benefit coverage under most plans after a minimum period of service of 3 months (2 months in the case of a few large establishments). Further, age was not found to be a barrier to eligibility for participation of employees.

Benefit payments were, for the most part, fixed. Fixed benefits varied widely, with most of the plans paying weekly benefits of \$30 to \$40. The majority of the workers, however, were covered by plans providing fixed benefits of \$45 per week or more. Of the eight plans in which benefits were graduated, five provided payments ranging from 51 to 75 per cent of regular wages; the remaining three, 50 per cent or less of regular wages was provided for.

Benefits usually became payable after a waiting period of 7 or 8 days, although two plans covering close to half the employees required only 2 days absence. Where the absence was due to a disabling accident, the waiting period was waived in 24 of the 34 plans. In cases involving hospitalization two plans waived the working period. Before benefits were paid, however, medical certificates were required in most plans.

All but one of the plans stipulated a maximum benefit period. Under most of these plans, the maximum benefit period was 13 weeks. Available "per disability", the maximum period could be renewed in the event of an unrelated illness occurring after a return to work for a specified period.



## PAID SICK LEAVE PLANS

A Paid Sick Leave Plan is a scheme under which employees' wages are continued, within specified limits, during absences due to sickness or disability. This type of plan protects the income of employees by keeping them on the payroll and may be contrasted in this respect with Sickness and Accident Insurance Plans whereby employees are compensated for the loss of wages due to illness or accidents. Thus, the cost of administration and financing of Sick Leave Plans are assumed by the employer as a direct charge on payrolls. The cost of Paid Sick Leave Plans is directly dependent upon such factors as the number of absent employees, their level of earnings and the length of their illnesses.

The nature of the protection provided by Sick Leave Plans is best understood by considering two sets of features - provisions having to do with the accumulation of credits, and those directly related to payments under the plans. The former consist of the service requirements before new employees become eligible to accumulate credits under the plans, the basis on which credits are accumulated, the limits on accumulation, the restrictions on the amount of credits usable during a single absence, and the disposition of unused credits upon separation from employment. Under the latter features are included the effective day of payment of sick leave; this depends on the policy with respect to a "waiting period", and the scale of pay during the absence.

How these features are linked to provide income protection can be illustrated as follows. After a specified period of service an employee may begin to accumulate sick leave credits. For each month, or other period of service, he accumulates so many days of paid sick leave to his credit. When an illness involving absence from work occurs, he draws upon these credits to provide for the continuation of wages. Upon his return to work, he rebuilds his stock of credits either indefinitely or until some ceiling is reached. However, for a prolonged illness the maximum protection may not be available if there is a restriction on the amount of earned credits usable during one absence. Upon his separation from employment his unused credits may lapse or be converted into retirement leave or a cash payment. This disposition of unused credits may vary with the nature of the separation, i. e., retirement, layoff, discharge or voluntary separation.

A total of 172 establishments with Paid Sick Leave Plans were surveyed; 75 of these were in manufacturing and 97 in non-manufacturing. Non-manufacturing accounted for 71 per cent of the total employment in establishments reporting sick leave plans.

In both industry sectors, the typical Paid Sick Leave Plan covered on the average, nine out of every ten employees. Because such a high proportion of employees were covered, subsequent analysis will, as in the case of sickness and accident plans, show only total employment figures.

The kind of financial protection offered, however, tended to be different in each industry sector. With respect to several key features, the typical Paid Sick Leave Plan differed considerably in manufacturing as compared with non-manufacturing. In only a few cases were typical provisions common to both industry sectors. For this reason analysis of the plans in each industry sector is presented separately.

## THE MANUFACTURING INDUSTRIES

### Features of Credit Accumulation

Service Requirement for Credit Accumulation—New employees normally become eligible to begin accumulating sick leave credits after a minimum period of service. This was stipulated in 64 of the 75 plans surveyed in manufacturing. Ten plans allowed credit accumulation to begin immediately upon employment.

The most frequent period of service required was one year. One year's service was found to be required in 26 of the plans, whereas for 17 plans 26 weeks was required; in a further 12 cases 13 weeks' service had to be completed to qualify for the plan. The numbers and proportions of employees in establishments that reported these respective provisions are shown in Table 19.

Table 19. Distribution of Paid Sick Leave Plans  
Requiring Qualifying Period Before Eligibility to Accumulate Credits  
by Length of Qualifying Period  
(Manufacturing)

Length of Service Required	Establishments		Employees	
	No.	%	No.	%
4 weeks.....	1	1	168	1
8 weeks.....	7	11	4,900	20
13 weeks.....	12	19	3,524	15
26 weeks.....	17	27	5,385	23
52 weeks.....	26	41	9,456	39
104 weeks.....	1	1	549	2
Total.....	64	100	23,982	100

Basis of Credit Accumulation—Sick Leave credits were accumulated by a specified formula in approximately half of the 75 plans reported. However, in 23 cases the accumulation of credits was not based on a specified formula; another 15 establishments did not reply to this survey question.

In plans where credits were accumulated according to a specified formula, the usual basis of accumulation was a certain number of days per year of service - often 10 to 12 days per year. Fifty-seven per cent of the plans providing for accumulation of credits reported this basis as compared with only 8 per cent which based credits on days per month of service. The remaining plans stipulated other bases, often involving a schedule of credits (1) on a sliding scale which becomes more liberal as service increases.

Extent of Credit Accumulation—The accumulation of credits was generally limited to a specified number of working days. Although 21 per cent of the plans failed to respond to this question, and another 12 per cent did not contain any cumulation provisions, over one half of the plans placed a limit on the accumulation of credits. Very few plans allowed credit accumulation to continue indefinitely.

Table 20. Limitation on Accumulation of Credits  
Under Paid Sick Leave Plans  
(Manufacturing)

	Establishments		Employees	
	No.	%	No.	%
Plan does not contain cumulation provision.....	9	12	3,760	13
Plan stipulates limited cumulation. .	42	56	16,321	57
Plan stipulates unlimited cumulation.	8	11	2,068	7
Not stated.....	16	21	6,527	23
Total.....	75	100	28,676	100

The maximum number of credits which could be attained, under the 42 plans which limited accumulation, varied widely. However, about 7,000 workers were covered by 13 plans, which, for the most part, limited accumulation to less than 60 days.

(1) The typical schedule lists the maximum amounts of paid leave available to employees after specified periods of service or within given intervals of service



Table 21. Distribution of Paid Sick Leave Plans with Limitations  
on Credit Accumulation, by Maximum Amounts  
(Manufacturing)

Maximum Credit	Establishments		Employees	
	No.	%	No.	%
Less than 60 days.....	13	31	7,005	43
60 - 119 days.....	8	19	2,032	12
120 - 259 days.....	12	29	3,457	22
260 or more days.....	8	19	3,547	21
Not stated.....	1	2	280	2
Total.....	42	100	16,321	100

Whether or not the accumulation of credits was limited, some plans placed restrictions on the amount of earned credits which could be applied to a single absence. Nearly half of the plans stipulated such restrictions.

Table 22. Restriction on Amount of Earned Credits Usable During  
One Absence Under Paid Sick Leave Plans  
(Manufacturing)

	Establishments		Employees	
	No.	%	No.	%
Amount not restricted.....	29	39	12,640	44
Amount restricted.....	35	47	11,648	41
Not stated.....	11	14	4,388	15
Total.....	75	100	28,676	100

Disposition of Unused Credits - Almost without exception in the plans surveyed, unused credits lapsed with the worker's separation from employment. The nature of separation made little difference to this general provision. Whenever a worker retired, was laid off, discharged, or left voluntarily, his unused credits normally lapsed. Conversion of credits into cash payments was allowed in only two plans and then only on retirement. Conversion of credits into retirement leave was also permitted in only two plans; one on retirement, the other on layoff.

Features of Payment

Effective Day of Payment— Generally, disabled employees became eligible to receive payment by drawing on their stock of credits only after some waiting period. For every plan which permitted payment from the first day of absence, three plans stipulated an unpaid waiting period.

Table 23. Effective Day of Payment Under Sick Leave Plans  
(Manufacturing)

	Establishments		Employees	
	No.	%	No.	%
First day of absence.....	18	24	7,870	27
After a waiting period.....	55	73	20,228	71
Not stated.....	2	3	578	2
Total.....	75	100	28,676	100

The length of the waiting period ranged from one to fourteen days. By and large, wages became payable to absent employees after a waiting period of seven days; forty per cent of the plans which reported a waiting period stipulated one of this length. In the remaining 60 per cent of the plans, however, the length of the waiting period varied extensively as may be observed in Table 23.

Table 24. Distribution of Paid Sick Leave Plans Requiring  
Waiting Period, by Length of Waiting Period  
(Manufacturing)

Waiting Period	Establishments		Employees	
	No.	%	No.	%
1 day.....	4	7	813	4
2 days.....	1	2	150	1
3 days.....	11	20	2,780	14
4 days.....	1	2	135	1
5 days.....	8	14	4,625	23
6 days.....	1	2	224	1
7 days.....	22	40	6,958	34
8 days.....	1	2	101	-
14 days.....	4	7	4,213	21
Not stated.....	2	4	229	1
Total.....	55	100	20,228	100

Scale of Pay During Sick Leave - Under the plans studied in manufacturing, provision for partial pay during sick leave was more common than for full pay; provision for a combination of full and partial pay was the least common. Of the 75 plans studied, 36 provided for partial pay during illness, 26 for full pay and 12 for some combination of the two.( 1)

Table 25. Scale of Pay Under Sick Leave Plans  
(Manufacturing)

	Establishments		Employees	
	No.	%	No.	%
Full pay.....	26	35	11,247	39
Combination of full and partial pay.....	12	16	4,100	14
Partial pay.....	36	48	12,373	43
Not stated.....	1	1	956	4
Total.....	75	100	28,676	100

## THE NON-MANUFACTURING INDUSTRIES

### Features of Credit Accumulation

Service Requirement for Credit Accumulation - New employees were generally required to serve a minimum period of employment before beginning to accumulate sick leave credits. This was the case in two out of every three plans reported. However, over one quarter of the plans permitted the accumulation of credits immediately upon employment.

The most common period of service required for qualification was 26 weeks. Table 26 shows that 24 of the plans stipulated this period; 14 plans required periods of 13 weeks of service to qualify and a further 18 plans required 52 weeks service before sick leave credit would begin to accumulate.

- 
- (1) The limited scope of the survey and the lack of homogeneity in the plans made it difficult to devise cross tabulations of scale of pay and maximum length of the benefit period. Of course full pay for a period of a given length might, in effect, be equal to partial pay for a longer period.



Table 26. Distribution of Paid Sick Leave Plans  
Requiring Qualifying Period Before Eligibility to Accumulate Credits  
by Length of Qualifying Period  
(Non-Manufacturing)

Length of Service Required	Establishments		Employees	
	No.	%	No.	%
4 weeks.....	4	6	2,994	7
8 weeks.....	1	1	135	-
13 weeks.....	14	22	6,020	14
26 weeks.....	24	37	17,717	40
52 weeks.....	18	28	12,867	29
104 weeks.....	3	5	4,635	10
Not stated.....	1	1	126	-
Total .....	65	100	44,494	100

Basis of Credit Accumulation – The accumulation of sick leave credits by a specified formula was more common in these industries than in manufacturing. More than four-fifths of the plans covering 92 per cent of the workers applied a specified formula.

For those plans which used a specified formula, credit accumulation was based chiefly on "days per month of service", usually 1 or 1 1/2 days per month. This basis of accumulation was reported in one of every

Table 27. Basis of Credit Accumulation Under Paid Sick Leave Plans  
(Non-Manufacturing)

	Establishments		Employees	
	No.	%	No.	%
Specified number of days per year of service.....	19	24	10,100	16
Specified number of days per month of service .....	40	49	27,729	43
Other basis .....	22	27	26,142	41
Total .....	81	100	63,971	100

two plans with a specified formula, while in only one out of every 4 plans the formula was given in terms of "days per year of service". Other<sup>(1)</sup> formulae for credit accumulation were provided in plans which covered a large proportion of employees (41 per cent).

Extent of Credit Accumulation - For the most part plans in non-manufacturing placed limits on the number of credits which could be accumulated. Provisions limiting credit accumulation were found in 58 per cent of the plans affecting over half of the workers. Of the remaining plans, 21 per cent placed no limits on accumulation and another 17 per cent did not contain any cumulation provisions (Table 28).

Table 28. Limitation on the Accumulation of Credits  
Under Paid Sick Leave Plans  
(Non-Manufacturing)

	Establishments		Employees	
	No.	%	No.	%
Plan does not contain cumulation provision.....	17	17	20,450	29
Plan stipulates limited cumulation.....	56	58	36,443	53
Plan stipulates unlimited cumulation.....	20	21	11,921	17
Not stated.....	4	4	723	1
Total.....	97	100	69,537	100

Over half the plans, involving about two-thirds of the employees permitted the accumulation of at least 120 working days' credit. However, in 15 plans the limit was less than 60 days.

(1) The typical schedule lists the maximum amounts of paid leave available to employees after specified periods of service or within given intervals of service.

Table 29. Distribution of Paid Sick Leave Plans with Limitations  
on Credit Accumulation, by Maximum Amounts  
(Non-Manufacturing)

Maximum Credit	Establishments		Employees	
	No.	%	No.	%
Less than 60 days.....	15	27	11,497	31
60 - 119 days.....	7	12	1,334	4
120 - 259 days.....	23	42	17,648	48
260 or more days.....	7	12	5,340	15
Not stated.....	4	7	624	2
Total.....	56	100	36,443	100

Under most plans in non-manufacturing the amount of earned credits which could be used during a single absence was not restricted. This feature was apparent in nearly three quarters of the plans affecting 77 per cent of the workers.

Table 30. Restriction on Amount of Earned Credits Usable  
During One Absence Under Paid Sick Leave Plans  
(Non-Manufacturing)

	Establishments		Employees	
	No.	%	No.	%
Amount not restricted.....	71	73	53,742	77
Amount restricted.....	17	18	8,936	13
Not stated.....	9	9	6,859	10
Total.....	97	100	69,537	100

Disposition of Unused Credits - As in manufacturing, unused credits lapsed when a worker became separated from his job, regardless of the reason for the separation. However, to a somewhat greater extent than



in manufacturing, allowance was made for the conversion of credits into retirement leave. This provision applied particularly in the case of separation upon retirement, and to a lesser degree in the case of layoff, voluntary separation and discharge. In the case of retirement, conversion of credits into cash payment was permitted under a few plans.

Features of Payment

Effective Day of Payment – Employees covered by Sick Leave Plans in non-manufacturing were not normally required to observe a waiting period before receiving payment. As Table 31 shows, in two out of every three plans payment was effective on the first day of absence.

Table 31. Effective Day of Payment Under Sick Leave Plans  
(Non-Manufacturing)

Length of Waiting Period	Establishments		Employees	
	No.	%	No.	%
First day of absence.....	65	67	38,361	55
After a waiting period.....	26	27	26,180	38
Not stated.....	6	6	4,996	7
Total.....	97	100	69,537	100

In the 26 plans which required a waiting period, the most common duration was 7 days. This provision appeared in almost half these plans covering 71 per cent of the workers involved. The waiting period in the remaining plans ranged from 1 to 5 days (Table 32).

Table 32. Distribution of Paid Sick Leave Plans Requiring  
Waiting Period, by Length of Waiting Period  
(Non-Manufacturing)

Length of Waiting Period	Establishments		Employees	
	No.	%	No.	%
1 day.....	1	4	1,000	4
2 days.....	5	19	4,554	17
3 days.....	5	19	1,094	4
4 days.....	1	4	150	1
5 days.....	2	8	809	3
7 days.....	12	46	18,573	71
Total.....	26	100	26,180	100

Scale of Pay During Sick Leave<sup>(1)</sup> – A majority of the plans in non-manufacturing stipulated full pay during sick leave. As Table 33 shows, employees were entitled to full pay in 6 out of 10 plans. However, the largest number of employees (50 per cent) were covered by plans which provided for a combination of full and partial pay during illness. The payment of partial wages for the full period of illness was an infrequent feature, appearing in only 1 out of 10 plans.

Table 33. Scale of Pay Under Paid Sick Leave Plans  
(Non-Manufacturing)

Scale of Pay During Sick Leave	Establishments		Employees	
	No.	%	No.	%
Full pay.....	59	61	26,387	38
Combination of full and partial pay.....	26	27	34,623	50
Partial pay.....	10	10	7,911	11
Not stated.....	2	2	616	1
Total.....	97	100	69,537	100

- (1) The limited scope of the survey and the lack of homogeneity in the plans made it difficult to devise cross tabulations of scale of pay and maximum length of the benefit period. Of course full pay for a period of a given length might, in effect, be equal to partial pay for a longer period.





## NOTES



## NOTES







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